

Message Text

SECRET

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72

ACTION SS-30

INFO OCT-01 ISO-00 /031 W

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 3330

S E C R E T MEXICO 6991

EXDIS

E.O. 11652: GDS

TAGS: EFIN, MX

SUBJECT: BANK OF MEXICO VIEWS ON FED SWAP

PASS TREASURY AND FEDERAL RESERVE

1. IN THE COURSE OF COURTESY CALL REPORTED SEPARATELY, FERNANDEZ HURTADO SAID THEY WERE UNDECIDED ABOUT DRAWING DOWN FED SWAP BECAUSE OF FEAR THAT MARKET PLACE MAY HEAR ABOUT IT. HE SAID THAT N.Y. FED HAD TOLD HIS DEPUTY, MANCERA, THAT THIS INFORMATION WOULD BE PASSED TO CONGRESS. WE TOLD HIM THAT TO OUR KNOWLEDGE ONLY A FEW CONGRESSMEN WOULD BE INFORMED AND ON A CONFIDENTIAL BASIS, AND THAT FACT OF DRAWING WOULD NOT BE PUBLIC UNTIL N.Y. FED ARTICLE PUBLISHED.

2. AS NOTED IN REFTTEL, FERNANDEZ HURTADO SAID BANK OF MEXICO RESERVES ARE CURRENTLY AT THE LEVEL OF LAST SEPTEMBER - INDICATING FOREIGN EXCHANGE HOLDINGS OF ABOUT \$625 MILLION, A ABOUT 75 PERCENT OF TWO MONTHS IMPORTS, AND A FAIRLY SUBSTANTIAL DECLINE SINCE MARCH. BANK FEELS THAT WHAT WAS ADEQUATE RESERVE LEVEL LAST YEAR IS INADEQUATE IN VIEW OF CURRENT INTERNATIONAL MONEY MARKET SITUATIONS, AND IN LIGHT OF POSSIBLE SHORT-TERM CAPITAL MOVEMENTS. THE BANK IS RELUCTANT TO DRAW ON FUND GOLD TRANCHE, OR SDRS BECAUSE THE INFORMATION RECEIVES TOO WIDE A CIRCULATION. LIKEWISE, IT IS RELUCTANT TO DRAW ON ITS \$500 MILLION LINE OF CREDIT WITH COMMERCIAL BANKS. WHEN ASKED IF HE EXPECTED

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BALANCE OF PAYMENTS POSITION TO IMPROVE, FERNANDEZ HURTADO

INDICATED THAT HE DID NOT, AND THAT AFTER SEPTEMBER, BANK OF MEXICO WOULD DRAW ON ITS LINE OF CREDIT WITH COMMERCIAL BANKS. HE EXPECTS THE INTERNATIONAL MONEY MARKETS WILL HAVE RECOVERED FROM THE HERSTATT COLLAPSE AND ADJUSTED TO THE OIL COUNTRY'S INFLOWS BY THIS TIME, AND THE PSYCHOLOGICAL IMPACT OF SUCH DRAWINGS WILL NOT SIGNIFICANTLY AFFECT MEXICO'S CREDIT RATING. IN THE MEANTIME FERNANDEZ HURTADO IS WORRIED ABOUT CONTINUED LOSSES THROUGH SHORT-TERM CAPITAL MOVEMENTS. HE ALSO WANTS HIS RESERVE FIGURES TO BE RESPECTABLE WHEN THE PRESIDENT MAKES HIS ANNUAL REPORT ON SEPTEMBER 1. HE DID NOT EXPECT TO REQUEST A DRAWING ON HIS TREASURY SWAP.

BRANDIN

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Message Attributes

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